

MANTSOPA LOCAL MUNICIPALITY



DRAFT ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED

30 JUNE 2012

MANTSOPA LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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MANTSOPA LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

GENERAL INFORMATION

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GRADING	:	3
DISTRICT MUNICIPALITY	:	Motheo District Municipality
MEMBERS OF COUNCIL -		Clr S D Ntsepe (Mayor) Clr S M Visagie (Speaker) Clr J Machakela (Exco Member) Clr M A Malakane (Exco Member) Clr M C Chomane Clr D Dewey Clr D Holmes Clr Y J Jacobs Clr P B Matsunyane Clr D T Molefe Clr M P Nakalebe Clr M E Ncwada Clr P P Raboko Clr M B Sani Clr G M Seoe Clr M C Sebotsa Clr K I Tigeli
MUNICIPAL MANAGER	:	M S Selepe
ACTING CHIEF FINANCIAL OFFICER	:	B J P le Roux
AUDITORS	:	The Auditor-General
BANKERS	:	Current Accounts: ABSA - 2020000050 FNB - 62054009751

MANTSOPA LOCAL MUNICIPALITY

APPROVAL OF ANNUAL FINANCIAL STATEMENTS ENDED 30 JUNE 2012

A draft set of annual financial statements set out on pages 3 to 42 were approved by the Municipal Manager in terms of Section 126(1) of the Municipal Finance Management Act 2003 and were presented to Council for approval on 23 August 2012.

I certify that the salaries, allowances and benefits of Councillors as disclosed in notes 20 and 21 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

.....
MUNICIPAL MANAGER

.....
DATE

.....
ACTING CHIEF FINANCIAL OFFICER

.....
DATE

MANTSOPA LOCAL MUNICIPALITY STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012

	Note	2 012 R	2 011 R
Assets			
Current assets		111 651 517	89 569 528
Inventory	9	846 801	954 921
Trade Receivables from Exchange Transactions	10.1	93 433 513	79 115 631
Trade Receivables from Non - Exchange Transactions	10.2	10 740 638	8 308 998
Other receivables	11	6 542 810	1 083 012
Current portion of longterm receivables	12	5 838	5 774
Investments	8	33 786	20 829
Bank and cash	13,14	48 130	80 363
Non-current assets		736 257 006	739 537 414
Property, plant and equipment	7.1	707 975 497	711 533 619
Intangible assets	7.2	7 169	36 960
Investment Property	7.3	27 271 000	27 271 000
Investments	8	788 908	475 565
Long term receivables	12	214 432	220 270
Total assets		847 908 523	829 106 943
Liabilities			
Current liabilities		53 529 280	37 091 127
Consumer deposits	3	1 092 493	1 062 312
Payables	4	24 358 331	23 507 101
VAT Payable	19	10 791 067	7 149 338
Unspent conditional grants and subsidies	5	-	-
Current portion of long-term liabilities	2	2 297 509	2 005 665
Operating lease Liability		650 418	555 766
Bank overdraft	14	14 339 462	2 810 946
Non-current liabilities		32 544 969	31 858 123
Long - term liabilities	2	7 025 458	8 564 185
Provision for rehabilitation of landfill sites	15	25 519 511	23 293 938
Total liabilities		86 074 248	68 949 250
Nett Assets		761 834 274	759 306 462
Accumulated Surplus/(Deficit)	6	761 834 274	759 306 462

MANTSOPA LOCAL MUNICIPALITY STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012

	Notes	2 012 R	2 011 R
Revenue			
Property rates	16	10 761 843	12 646 505
Services charges	17	66 061 438	56 899 794
Investment Income		940 046	869 315
Interest earned - external investments		106 267	496 853
Interest earned - outstanding debtors		12 662 011	9 458 009
Fines		88 511	164 883
Dividends received		23 918	19 389
Licenses and permits		263	2 216
Government grants and subsidies	18	86 992 177	82 209 980
Other income	37.2	605 405	1 023 356
Total Revenue		178 241 878	163 790 300
EXPENDITURE			
Employee related costs	20	48 719 193	44 159 450
Remuneration of Councillors	21	4 270 292	3 666 655
Bad debts Provision	10	10 694 146	37 326 515
Repairs and maintenance		10 015 027	12 223 692
Finance Costs	22	993 516	817 243
Operating Lease		2 393 184	1 153 997
Bulk purchases		26 226 370	20 523 256
Grants and subsidies paid		22 286 474	15 894 146
General expenses	37.1	26 076 155	23 536 138
Depreciation/Amortisation	7.	24 327 815	23 490 794
Total Expenditure		176 002 172	182 791 886
Gains on sale of property, plant and equipment		-	239 399
SURPLUS/(DEFICIT) FOR THE YEAR		2 239 707	(18 762 187)

MANTSOPA LOCAL MUNICIPALITY STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2012

		Revaluation reserve	Capital Replacement Reserves	Total reserves	Accumulated surplus	Total net assets
Balance at 01 July 2010			237,458,385	237,458,385	37,821,221	275,279,606
Transfer			-237,458,385	-237,458,385	237,458,385	0
Correction prior year period			0	0	-6,846,716	-6,846,716
Change in policy			0	0	139,080,316	139,080,316
Surplus for the year			0	0	-18,762,187	-18,762,187
Balance at 01 July 2011		0	0	0	388,751,019	388,751,019
Correction prior year period	38.1	0	0	0	293 438 753	293,438,753
Correction prior year period	38.2	0	0	0	83 640 711	83,640,711
Correction prior year period	38.4	0	0	0	(5 944 908)	(5 944 908)
Correction prior year period	38.6	0	0	0	(23 347)	(23 347)
Correction prior year period	38.7	0	0	0	(555 766)	(555 766)
Restated Balance July 2011		0	0	0	759,306,462	759,306,462
Correction prior year period	38			0	288 106	288 106
Transfer			0	0	0	0
Change in policy	23				0	0
Surplus for the year			0	0	2,239,707	2,239,707
Balance at 30 June 2012		0	0	0	761,834,274	761,834,274

MANTSOPA LOCAL MUNICIPALITY CASHFLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

	Notes	2 012 R	2 011 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers and government	33	145 526 513	208 089 797
Cash paid to suppliers and employees	34	(135 290 963)	(191 256 861)
Cash generated from / (required by) operating activities	35	10 235 550	16 832 859
Interest received		106 267	496 853
Interest paid		1 232 057	(817 243)
Dividends received		23 918	19 389
NET CASH FROM OPERATING ACTIVITIES		11 597 792	16 531 859
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(20 739 902)	(23 686 136)
Proceeds or loss with sale of assets		-	239 399
NET CASH FROM INVESTING ACTIVITIES		(20 739 902)	(23 446 737)
CASH FLOWS FROM FINANCING ACTIVITIES			
(Increase) /Decrease in Investments		(326 300)	1 513 388
Increase / (Decrease) in Loans external		(1 246 883)	6 198 417
(Increase) / Decrease in Loans to longterm debtors		5 773	16 969
NET CASH FROM FINANCING ACTIVITIES		(1 567 409)	7 728 774
NET INCREASE /(DECREASE) IN CASH AND CASH EQUIVALENTS		(10 709 518)	813 896
Cash and cash equivalents at the beginning of the year		(2 730 583)	(3 544 479)
Cash and cash equivalents at the end of the year	36	(14 291 332)	(2 730 583)
NET INCREASE /(DECREASE) IN CASH AND CASH EQUIVALENTS		(11 560 749)	813 896

1 PRINCIPAL ACCOUNTING POLICIES**1.1 BASIS OF PREPARATION**

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board and the Municipal Finance Management Act, 2003 (Act no 56 of 2003)..

1.2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.3 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.4 COMPARATIVE INFORMATION

Budget information in accordance with GRAP 1, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements are amended, prior period comparative amounts are restated where possible to give a fair comparative. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustments is made retrospectively as far back as is practicable possible, and the prior year comparatives are restated accordingly.

1.5 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

Application of all the undermentioned GRAP standards will be effected from a date to be announced by the Minister of Finance. This date is not currently not available. Management has considered all of the undermentioned GRAP standards issued but not yet effective and anticipates that the adoption of these standard will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

The ASB Directive 5 paragraph 29 allows a municipality to may select to apply the principles establish in a Standard of Grap that has been issued, but is not yet in effect, in developing an appropriate accounting policy dealing with a particular transaction or event before applying paragraph 12 of the Standard of GRAP on Accountir Policies, Changes in Accounting Estimates and errors.

Management has considered all of the undermentioned GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cashflows of the municipality.

GRAP 8 Interest in Joint Ventures - issued August 2006
 GRAP 18 Segment Reporting - issued March 2005
 GRAP 23 Revenue from Non-Exchange Transactions - issued February 2008
 GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007
 GRAP 103 Heritage Assets - issued July 2008
 GRAP21 Impairment of Non-Cash generating assets - issued March 2009
 GRAP26 Impairment of Cash genereating assets - issued March 2009
 Grap 104 Financial Instruments - October 2009

1.5 Continue
STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following standards, amendments to standards and interpretations have been issued but are not yet effective and have not been early adopted by the municipality:

IAS 19 Employee Benefits - effective 1 January 2009
 IFRIC 17 Distribution of Non-cash Assets to Owners - effective 1 July 2009

1.6 **CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS**

In the application of the municipality's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

2 **PROPERTY, PLANT AND EQUIPMENT**

2.1 **INITIAL RECOGNITION**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date, except if it is a project that is not finished yet. In such cases it will be shown as work in progress. Assets are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

2.2 **SUBSEQUENT MEASUREMENT - REVALUATION MODEL (LAND AND BUILDINGS)**

Buildings and land are used at values according to the last valuation roll of 2008.

2.3 **SUBSEQUENT MEASUREMENT - COST MODEL**

Subsequent all property, plant and equipment, including for Infrastructure Assets, are measured at cost, (or redeemed cost), less accumulated depreciation and accumulated impairment losses.

2.4 **DEPRECIATION AND IMPAIRMENT**

Depreciation for the 2011/2012 financial year was calculated and debited against the statement of financial performance. This was done for the first time during 2010/11 financial year.
 The useful lifetime of assets are determined as follows:

Infrastructure

Roads and Paving	45 - 50 years
Electricity	45 - 50 years
Water	15 - 100 years
Sewerage	15 - 100 years
Landfill Sites	10 - 65 years
Recreational Facilities	15 - 60 Years

Buildings 100 Years

Specialist Vehicles	5 - 20 years
Other Vehicles	5 - 10 years
Office Equipment	3 - 7 years
Furniture and Fittings	7 - 10 years
Specialised Plant and Equipment	10 - 15 years
Other items of Plant and Equipment	2 - 5 Years

Depreciation only commences when the asset is available for use, unless stated otherwise.

2.5 DERECOGNITION

Items of Property, plant and equipment are derecognised when the asset is disposed . The revenue arising on the disposal of an item of property, plant and equipment is recognised in the Statement of Financial Performance. In the statement of Financial position, Property, plant and Equipment is reduced with the original cost, while the Capital Replacement Reserve is equily reduced.

3 INVESTMENT PROPERTY

Investment property consist of Municipal flats (land and buildings) held to earn rentals and/or fpr capital appreciation, rather for the municipality. Investment property is stated at 2008 valuation role values in the statement of financial position and at fair value. Valuator Johan Bosman from Praxos.

4 INVENTORIES**INITIAL RECOGNITION**

Inventories comprises current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Subsequent measurement

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and current replacement cost.

5 FINANCIAL INSTRUMENTS**5.1. INITIAL RECOGNITION**

Financial instruments are intially recognised at cost value.

5.1.1 SUBSEQUENT MEASUREMENT

Financial Assets are categorised according to their nature as either financial assets at cost value through profit or loss, held-to maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at cost value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

5.1.2 INVESTMENTS

Investments, which include listed bonds, unlisted bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at cost.

5.1.3 TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at cost value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments.

5.1.4 TRADE PAYABLES AND BORROWINGS

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at cost value and subsequently measured at amortised cost which is the

5.1.5 CASH AND CASH EQUIVALENTS

Cash includes cash on hand (including petty cash) and cash with banks . For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets.

5.2. SUBSEQUENT MEASUREMENT**5.2.1 CASH AND CASH EQUIVALENTS (continued)**

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

Available-for-sale financial assets are non-derivatives that are either designated in this category or do not meet the classification criteria of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months after financial year end.

Available-for-sale financial assets are subsequently carried at costvalue.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as 'gains and losses from investment securities'.

5.2.2 UNSPENT CONDITIONAL GRANTS

Unspent conditional are liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the general public.

6 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

7 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

8 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

9 PROVISIONS

Provisions are recognised when the municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The municipality has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- when the plan will be implemented; and

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

10 LEASES**10.1 MUNICIPALITY AS LESSEE**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

10.2 MUNICIPALITY AS LESSOR

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

11 REVENUE**11.1. REVENUE FROM EXCHANGE TRANSACTIONS**

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on an actual levied basis over the term of the lease agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

MANTSOPA LOCAL MUNICIPALITY ACCOUNTING POLICY FOR THE YEAR ENDED 30 JUNE 2012

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for

11.2. REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange

11.3 PROPERTY RATES REVENUE

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received.

Revenue from public contributions and donations is recognised when the amount is received.

Contributed property, plant and equipment is recognised as such items of property, plant and equipment qualifies for recognition and become available for use by the municipality, otherwise it will be shown as work in

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

11.4. GRANTS, TRANSFERS AND DONATIONS

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

12 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

13 RETIREMENT BENEFITS

The municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. Specific actuarial information in respect of individual participating municipalities is unavailable due to centralised administration of these funds. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

14 IMPAIRMENT**Significant judgements and sources of estimate uncertainty**

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts presented in the financial statements and related disclosures. Use of available information and the application of judgement are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

Consumer receivables and loan and other receivables

The municipality assesses its consumer receivables, loans and other receivables for impairment at each reporting date. In determining whether an impairment loss should be recorded in the Statement of Financial Performance, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset. The impairment for consumer receivable, loan and other receivables is calculated on a portfolio basis after removing individually impaired items, based on historical deficit ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio.

15 Financial Instrument

Consumer receivable and other receivables

Consumer receivables and other receivable are classified as loans and receivables and are measured at initial recognition at fair value plus direct transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and defaults or delinquency in payments (more than 90 days overdue) are considered indicators that the consumer receivable is impaired. The allowance recognised is measured as the difference between the asset's carry amount and the present value of estimated future cash flows discounted at the effective interest rates computed at initial recognition.

16 INTANGIBLE ASSETS**16.1 Initial Recognition**

Identifiable non-monetary assets without physical substance are classified and recognised as intangible assets. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bringing the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the

cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. The cost of an intangible asset acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Intangible assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

16.2 Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.

MANTSOPA LOCAL MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2 012	2 011
	R	R
1 RESERVES		
Capital Replacement Reserve	-	237 458 388
Transfer to accumulated surplus	-	(237 458 388)
Total Reserves	-	-
2 LONG TERM LIABILITIES		
External loans	9 322 967	10 569 850
Less: Current portion transferred to current liabilities	(2 297 509)	(2 005 665)
Total External Loans	7 025 458	8 564 185
Refer to Appendix F for more detail on long-term liabilities.		
3 CONSUMER DEPOSITS		
Consumer accounts	1 092 493	1 062 312
	1,092,493	1,062,312
No guarantees are kept in lieu of electricity deposits.		
4 PAYABLES		
Trade Payables	2 718 403	247 340
Sundry Payables	88 606	256 812
Hall Deposits	2 000	5 506
Payments received in advance	1 952 324	2 608 345
Accruals for creditors	10 973 143	15 179 382
Provision 13th cheque	1 146 892	932 142
Interest accrual	56 937	85 157
Salary controls	2 187 677	-
PAYE Payable	731 724	-
Centlec	-	-
Leave Accrual	4 500 624	4 192 417
Total Creditors	24 358 331	23 507 101
5 UNSPENT CONDITIONAL GRANTS AND SUBSIDIES		
Total Conditional Grants and Receipts	-	-
All the conditional grants, were fully spent at the end of the financial year. See note 18.2.		
6 Accumulated surplus / (deficit)		
Opening balance	759 885 575	37 821 221
Prior year corrections	288 106	503 368 156
Transfer from Capital Replacement reserve	-	237 458 385
Prior year corrections (Note 38)	-	-
Current year surplus/(loss)	2 239 707	(18 762 187)
Total accumulated surplus/(loss)	762 413 387	759 885 575

MANTSOPA LOCAL MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

7.1 PROPERTY, PLANT AND EQUIPMENT

Reconciliation of Carrying Value

30 June 2011

Description	Land and Buidlings	Infrastructure	Community	Other	Total
	R	R	R	R	R
Carrying values at 01 July 2010	99,511,370	594,031,943	6,930,203	17,155,260	717,628,776
Cost	106,254,100	758,675,388	8,480,200	19,959,258	893,368,946
- Completed Assets	106,254,100	753,215,443	8,480,200	19 959 258	887 909 001
- Under Construction	-	5,459,945	-	-	5 459 945
Accumulated Depreciation:	(6,742,730)	(164,643,445)	(1,549,997)	(2,803,998)	(175,740,170)
- Cost	(6,742,730)	(164,643,445)	(1,549,997)	(2 803 998)	(175 740 170)
Acquisitions	428,653	8,882,706	1,133,542	1 166 523	11 611 424
Capital under Construction Additions	-	5,763,822	-	-	5 763 822
Depreciation	(942,083)	(19,548,560)	(185,585)	(2 794 174)	(23 470 402)
- Based on Cost	(942,083)	(19,548,560)	(185,585)	(2 794 174)	(23 470 402)
Carrying values at 01 July 2011	98,997,940	589,129,910	7,878,160	15,527,609	711,533,619
Cost	106,682,753	773,321,916	9,613,742	21,125,781	910,744,192
- Completed Assets	106,682,753	762,098,149	9,613,742	21 125 781	899 520 425
- Under Construction	-	11,223,767	-	-	11 223 767
Accumulated Depreciation:	(7,684,813)	(184,192,006)	(1,735,582)	(5,598,172)	(199,210,573)
- Cost	(7,684,813)	(184,192,006)	(1,735,582)	(5 598 172)	(199 210 573)

30 June 2012

Description	Land and Buidlings	Infrastructure	Community	Other	Total
	R	R	R	R	R
Carrying values at 01 July 2011	98,997,940	589,129,910	7,878,160	15,471,031	711,533,619
Cost	106,682,753	773,321,916	9,613,742	21,069,203	910,744,192
- Completed Assets	106,682,753	762,098,149	9,613,742	21 125 781	899 520 425
- Under Construction	-	11,223,767	-	-	11 223 767
Accumulated Depreciation:	(7,684,813)	(184,192,006)	(1,735,582)	(5,598,172)	(199,210,573)
- Cost	(7,684,813)	(184,192,006)	(1,735,582)	(5 598 172)	(199 210 573)
Acquisitions	-	8,831,444	627,602	2 304	9 461 350
Capital under Construction Additions	-	11,278,552	-	-	11 278 552
Depreciation	(944,508)	(20,299,056)	(210,689)	(2 843 771)	(24 298 024)
- Based on Cost	(944,508)	(20,299,056)	(210,689)	(2 843 771)	(24 298 024)
Carrying values at 01 July 2012	98,053,432	588,940,850	8,295,073	12,686,142	707,975,497
Cost	106,682,753	793,431,912	10,241,344	21,128,085	931,484,094
- Completed Assets	106,682,753	770,929,593	10,241,344	21 128 085	920 260 326
- Under Construction	-	22,502,319	-	-	11 223 767
Accumulated Depreciation:	(8,629,321)	(204,491,062)	(1,946,271)	(8,441,943)	(223,508,597)
- Cost	(8,629,321)	(204,491,062)	(1,946,271)	(8 441 943)	(223 508 597)

7.2 Intangible assets

Opening balance 01 July 2011

Correction of asset register according to GRAP

Depreciation

Carrying amount

Intangible assets relate to the Windows server installed on the Municipality's system.

36 960

-

-

57 352

(29 791)

(20 392)

7 169

36 960

MANTSOPA LOCAL MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

7.3 Investment Property

The movement in Investment Property is reconciled as follows:

	2012	2011
Carrying values at 1 July	27 271 000	27 271 000
Fair Value	27 271 000	27 271 000
Net Gains / (Losses) from Fair Value Adjustments	-	-
Carrying values at 30 June	27 271 000	27 271 000
Fair Value	27 271 000	27 271 000
Estimated Fair Value of Investment Property at 30 June	27 271 000	27 271 000

The municipality has identified and measured all Investment Property in terms of GRAP 16 for the financial year ended 30 June 2012. The balances of the Investment Property have been accordingly restated retrospectively. In 2010/11 the following classes of assets were not recognised/measured in accordance with GRAP 16:

- Land

Investment Property has been restated to correctly disclose the properties held as Investment Property in terms of GRAP 16. Refer to Note 38.1 on "Correction of Error" for details of the restatement.

All of the municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality.

There are no contractual obligations on Investment Property.

8 INVESTMENTS

Listed		
Old Mutual Shares	59 606	50 625
Total Listed	59 606	50 625
Unlisted		
OVK LOAN B	134 438	134 438
OVK LOAN D	137 396	137 396
OVK Preference shares	1 067	1 067
OVK Ordinary shares	372 137	67 775
Total Unlisted	645 038	340 677
Financial Instruments		
Collateral investment FNB	84 263	84 263
Standard Bank	104	-
ABSA Surplus money	7 976	-
Absa Mig Funds	3 897	-
Short-term Investments ABSA Advantage	21 808	20 829
Total Cash Investments	118 049	105 093
Total Investments	822 694	496 394
Current assets	33 786	20 829
Non current Assets	788 908	475 565
	822 694	496 394

Fixed deposits are for periods which are less than 12 months but greater than three months.

Management's Valuation of Unlisted Investments

Cost	645 038	340 677
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9 INVENTORY

Consumable stores – at cost	697 064	805 184
Water	149 737	149 737
Total Inventory	846 801	954 921

10.1 Trade Receivables from Exchange Transactions			
	Gross balances	Provision for bad debts	Balance
As at 30 June 2011			
Service receivables			
Electricity	7 181 495	2,758,306	4 423 189
Water	39 452 660	15,153,184	24 299 475
Sewerage	43 218 290	16,599,508	26 618 783
Refuse	22 117 283	8,494,922	13 622 361
Other Income	12 247 600	4,704,122	7 543 478
Total	124 217 329	47,710,043	76 507 286
Plus credit balances			2 608 345
Total consumer receivables			79 115 631
As at 30 June 2012			
Service receivables			
Electricity	9 253 331	3,465,281	5 788 050
Water	47 889 244	18,393,552	29 495 692
Sewerage	51 460 673	19,765,285	31 695 388
Refuse	26 590 758	10,213,118	16 377 640
Other Income	13 190 820	5,066,399	8 124 421
Total	148 384 825	56 903 635	91 481 191
Plus: accounts with credit balances			1 952 324
Total consumer receivables			93 433 513
Provisions for bad debts			10 694 146
Debtors Age Analysis		2 012	2 011
Electricity			
Current (0 – 30 days)		360 009	363 462
31 - 60 Days		474 905	252 596
61 - 90 Days		355 902	223 229
91 - 120 Days		277 273	206 367
121 - 365 Days		2 158 592	1 385 091
+ 365 Days		4 837 741	4 750 750
Total		9 253 331	7 181 495
Water			
Current (0 – 30 days)		1 889 668	1 996 737
31 - 60 Days		1 707 771	1 387 674
61 - 90 Days		1 564 749	1 226 344
91 - 120 Days		1 515 951	1 133 708
121 - 365 Days		9 067 015	7 609 214
+ 365 Days		32 144 089	26 098 983
Total		47 889 244	39 452 660

MANTSOPA LOCAL MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2 012	2 011
	R	R
Debtors Age Analysis continued		
Sewerage		
Current (0 – 30 days)	1 379 208	2 187 318
31 - 60 Days	1 292 322	1 520 123
61 - 90 Days	1 247 128	1 343 395
91 - 120 Days	1 243 834	1 241 917
121 - 365 Days	8 588 720	8 335 489
+ 365 Days	37 709 460	28 590 048
Total	51 460 673	43 218 290
Refuse		
Current (0 – 30 days)	733 442	119 376
31 - 60 Days	698 656	777 934
61 - 90 Days	663 834	687 492
91 - 120 Days	662 976	635 560
121 - 365 Days	4 594 773	4 265 749
+ 365 Days	19 237 077	15 631 171
Total	26 590 758	22 117 282
Other		
Current (0 – 30 days)	109 035	619 863
31 - 60 Days	124 762	430 787
61 - 90 Days	159 187	380 704
91 - 120 Days	102 478	351 946
121 - 365 Days	865 002	2 362 188
+ 365 Days	11 830 356	8 102 113
Total	13 190 820	12 247 601
Debtors outstanding per category		
Government		
Current (0 – 30 days)	438 217	248 618
31 - 60 Days	(14 250)	178 326
61 - 90 Days	389 531	96 029
91 - 120 Days	369 077	78 976
120 +	5 204 117	567 101
Total	6 386 693	1 169 050
Business		
Current (0 – 30 days)	962 904	194 369
31 - 60 Days	96 052	169 705
61 - 90 Days	93 576	141 371
91 - 120 Days	31 906	106 377
120 +	3 668 733	717 725
Total	4 853 172	1 329 547
Residential		
Current (0 – 30 days)	6 649 283	4 489 616
31 - 60 Days	4 296 858	4 076 057
61 - 90 Days	4 401 071	3 730 121
91 - 120 Days	3 489 667	7 011 632
120 +	135 722 823	21 258 364
Total	154 559 701	40 565 790
Other		
Current (0 – 30 days)	2 746	3 645
31 - 60 Days	3 247	3 632
61 - 90 Days	2 131	2 683
91 - 120 Days	903	2 468
120 +	14 748	17 357
Total	23 776	29 785

MANTSOPA LOCAL MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R	
##### Trade Receivables from Nonv- Exchange Transactions			
	Gross balances	Provision for bad debts	Balance
As at 30 June 2011			
Rates	13 490 501	5,181,502	8 308 998
Total	13 490 501	5,181,502	8 308 998
As at 30 June 2012			
Rates	17 438 514	6,697,876	10 740 638
Total	17 438 514	6,697,876	10 740 638
Debtors Age Analysis		2 012	2 011
Property Rates			
Current (0 – 30 days)		432 812	682 767
31 - 60 Days		407 462	474 503
61 - 90 Days		829 326	419 338
91 - 120 Days		356 459	387 662
121 - 365 Days		2 558 082	2 601 905
+ 365 Days		12 854 371	8 924 326
Total		17 438 514	13 490 501
11 OTHER RECEIVABLES	2012 R	2011 R	
Sundry debtors	1 163 389	1 083 012	
Payments made in advance	561 203	-	
Hall deposits	18 017	-	
Centlec	2 355 891	-	
VAT Receivable	2 444 311	-	
Total Other Debtors	6 542 810	1 083 012	
12 LONG TERM RECEIVABLES			
Long Term Receivables	220 270	226 043	
Less: Short term portion of long term receivables	5 838	5 774	
Total Long Term Receivables	214 432	220 270	
13 BANK & CASH			
Pettycash	1,500	1,500	
Cash floats for cashiers	1,255	1,255	
	2,755	2,755	
14 BANK & CASH			
<u>Current Account (Primary Bank Account)</u>			
ABSA Bank - Ladybrand branch			
Account number 2020000050			
Cash book balance at beginning of year - (overdrawn)	(2 810 946)	(3 789 340)	
Cash book balance at end of year - (overdrawn)	(14,339,462)	(2 810 946)	
Bank statement balance at beginning of year - (overdrawn)	2 538 529	862 572	
Bank statement balance at end of year - (overdrawn)	(24 074)	2 538 529	
FNB Bank Day cash - Ladybrand branch			
Account number 62054009751			
Cash book balance at beginning of year	77 608	242 606	
Cash book balance at end of year	45,375	77 608	
Bank statement balance at beginning of year - (overdrawn)	77 608	195 126	
Bank statement balance at end of year - (overdrawn)	45 375	77 608	
Total Bank	(14 294 087)	(2 733 338)	
15 PROVISION FOR REHABILITATION OF LANDFILL SITES			
In terms of the licencing of the landfill refuse site, the municipality will incur rehabilitation costs of R25 million to restore the sites at Excelsior (R7.7 mil), Hobhouse (R4.0 mil), Ladybrand (R8.9 mil) and Tweespruit (R4.0 mil) at the end of its useful life, estimated to be in 2030. Provision has been made for the net present value of this cost, using the the average cost of borrowing interest rate.			
	2012 R	2011 R	
Provision landfill site	23 293 938	23 293 938	
Increase due to discounting	2 225 573	-	
Total Provision Landfill Site	25 519 511	23 293 938	
16 PROPERTY RATES			
Actual			
Levies	10 761 843	12 646 505	
Total Assessment Rates	10 761 843	12 646 505	
Property Valuations			
Total Property Valuations	2769 795 256	2769 795 256	
Total Property Valuations	2769 795 256	2769 795 256	

	2 012 R	2011 R
17 SERVICE CHARGES		
Sale of electricity	24 599 753	19 908 092
Sale of water	19 614 327	18 007 335
Other charges	21 847 358	18 984 367
Total Service Charges	66 061 438	56 899 794
18 GOVERNMENT GRANTS AND SUBSIDIES		
Equitable share	59 432 000	53 916 103
Central government grants	26 668 960	22 684 000
District Municipality	891 217	5 609 877
Total Government Grant and Subsidies	86 992 177	82 209 980
18.1 Equitable Share		
Balance unspent at beginning of year	-	-
Current year receipts	59 432 000	53 916 103
Conditions met - transferred to revenue	(59 432 000)	(53 916 103)
	-	-
The Equitable Share is an unconditional grant and is utilised to assist the local municipalities undertake service delivery		
18.2 MIG		
Balance unspent at beginning of year	-	-
Correction prior year	-	-
Current year receipts	22 773 000	18 934 000
Conditions met - transferred to revenue	(22 773 000)	(18 942 655)
Financed by own income	-	8 655
Conditions still to be met - transferred to current liabilities	-	-
This grant was used for Bucket Eradication. No funds have been withheld.		
18.3 FMG		
Balance unspent at beginning of year	-	-
Current year receipts	1 450 000	3 000 000
Conditions met - transferred to revenue	(1 450 000)	(3 000 000)
Conditions still to be met - transferred to liabilities	-	-
The grant was used to promote and support reforms to financial management practices, including the modernisation of budgeting, financial management, accounting, monitoring systems and implementation of the Municipal Finance Management Act. Interns were also paid with this fund.		

	2012 R	2011 R
18.4 MSIG		
Balance unspent at beginning of year	-	-
Current year receipts	790 000	750 000
Conditions met - transferred to revenue	(790 000)	(750 000)
Conditions still to be met - transferred to liabilities	-	-
The fund is used to assist the local municipalities to perform the function and stabilise institutional and governance systems as required by the Municipal Systems Act of 2000.		
18.5 INEG		
Balance unspent at beginning of year	-	-
Current year receipts	810 000	-
Conditions met - transferred to revenue	(810 000)	-
Conditions still to be met - transferred to liabilities	-	-
This funds were used for electrification in Platberg as well as High mast light connections.		
18.6 Department of Water Affairs		
Balance unspent at beginning of year	-	-
Current year receipts	845 960	-
Conditions met - transferred to revenue	(845 960)	-
Conditions still to be met - transferred to liabilities	-	-
This funds were used for water conservation and demand.		
18.7 District municipality		
Balance unspent at beginning of year	-	-
Current year receipts	891 217	5 609 877
Conditions met - transferred to revenue	(891 217)	(5 609 877)
Conditions still to be met - transferred to liabilities	-	-
The Municipality renders Environmental Health services on behalf of Thabo Mofutsanyane District Council.		
18.8 Changes in levels of government grants		
Based on the allocations set out in the Division of Revenue Act, (Act No 6 of 2011), no significant changes in the level of government grant funding are expected over the forthcoming two financial years.		
UNSPENT CONDITIONAL GRANTS AND SUBSIDIES	-	-
Total Conditional Grants and Receipts unspent	-	-
19 VAT		
VAT Output debtors	(11 783 520)	(10 041 875)
VAT Input Creditors	992 452	1 843 025
Output VAT paid	-	(480 468)
Input Vat Paid	-	246 523
Receivable from SARS	2 444 311	432 225
	(8 346 757)	(8 000 568)

	2 012	2 011
	R	R
20 EMPLOYEE RELATED COSTS		
Salaries	26 786 967	24 182 141
Contributions - UIF, Pension and Medical Aid Fund,	8 682 178	7 130 804
Housing Subsidies	140 057	139 230
Industrial Council Levies	15 683	13 769
Other Allowances	840 745	1 205 707
Overtime	4 850 090	3 734 817
Travel, Subsistence and Car Allowances	1 750 467	597 415
Leave accrual	773 035	771 993
Leave paid during 2010/11	-	185 125
Long Service / Bonus awards	2 276 901	3 259 698
Total Employee Related Costs	46 116 123	41 220 699
Remuneration of the Municipal Manager		
Annual Remuneration	587 976	456 704
Performance and other Bonuses	-	42 240
Car Allowance	25 626	110 000
Contributions to UIF, Medical and Provident Funds	14 692	218 635
Total	628 295	827 579
Remuneration of the Manager Technical services		
Annual Remuneration	381 897	357 243
Performance and other Bonuses	-	-
Car Allowance	-	-
Contributions to UIF, Medical and Provident Funds	-	-
Total	381 897	357 243
Remuneration of the Chief Financial Officer		
Annual Remuneration	497 006	450 321
Performance and other Bonuses	42 739	71 812
Car Allowance	159 326	155 041
Contributions to UIF, Medical and Provident Funds	117 748	210 377
Total	816 818	887 552
Remuneration of the Head: Corporate Services		
Annual Remuneration	456 343	430 073
Performance and other Bonuses	38 659	32 931
Car Allowance	164 349	155 040
Contributions to UIF, Medical and Provident Funds	116 710	248 333
Total	776 061	866 377

	2 012	2 011
	R	R
21 REMUNERATION OF COUNCILLORS		
Mayor		
Salaries	397 025	256 317
Contributions - UIF, Pension and Medical Aid Fund,	74 049	71 539
Cellphone allowance	18 326	22 880
Travel, Subsistence and Car Allowances	148 725	152 944
	638 126	503 680
In kind benefits		
The Mayor and the Speaker are full-time. Each is provided with an office and secretarial support at the cost of the Council.		
The Mayor has the use of a Council owned vehicle for official duties. The Mayor has one (1) full-time bodyguard, and one (1) driver.		
Speaker		
Salaries	316 224	304 659
Contributions - UIF, Pension and Medical Aid Fund,	61 435	49 375
Cellphone allowance	18 322	13 038
Travel, Subsistence and Car Allowances	118 979	117 909
	514 960	484 981
Exco members		
Salaries	334 203	350 384
Contributions - UIF, Pension and Medical Aid Fund,	60 498	94 730
Cellphone allowance	22 859	28 463
Travel, Subsistence and Car Allowances	122 698	135 934
	540 258	609 511
Ordinary council members		
Salaries	1 586 872	1 204 214
Contributions - UIF, Pension and Medical Aid Fund,	261 469	249 158
Cellphone allowance	148 580	114 487
Travel, Subsistence and Car Allowances	580 028	500 624
	2 576 949	2 068 483
22 FINANCE COSTS		
Interest Long term liabilities	993 516	817 243
Total Interest and Redemption on External Borrowings	993 516	817 243
23 CHANGE IN ACCOUNTING POLICY		
The following adjustments were made to amounts previously reported in the annual financial statements of the municipality arising from the implementation of new accounting policies and changes to existing policies:		
NONE	Corrections	2 012 Restated 2012

24 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT:**Contributions to Local Government Organisation**

Opening balance	-	-
Current year's contribution	408 037	264 960
Amount paid - current year	(408 037)	(264 960)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-

Audit fees

Opening balance	-	-
Current year's contribution	2 949 595	3 121 145
Amount paid - current year	(2 949 595)	(3 121 145)
Balance unpaid (included in creditors)	-	-

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	2 012 R	2 011 R
25 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT: (continued)		
<u>VAT</u>		
Opening balance	21 581	(1 543 966)
Current year output VAT	(11 164 769)	(9 164 532)
Current year input VAT	1 215 659	5 298 976
Amount paid (received)	2 444 311	4 977 297
	<u>(7 483 218)</u>	<u>(432 225)</u>
<u>UIF</u>		
Opening balance	-	-
Current year payroll deductions	694 564	631 672
Amount paid - current year	(694 564)	(631 672)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	<u>-</u>	<u>-</u>
<u>PAYE</u>		
Opening balance	-	-
Current year payroll deductions	4 256 058	3 739 244
Amount paid - current year	(3 524 335)	(3 739 244)
Balance unpaid (included in creditors)	<u>731 724</u>	<u>-</u>
Skills Development Levy		
Opening balance	-	-
Current year payroll deductions	430 684	347 431
Amount paid - current year	(430 684)	(347 431)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	<u>-</u>	<u>-</u>
<u>Pension and Medical Aid Deductions</u>		
Opening balance	-	-
Current year payroll deductions and council contributions	-	4 238 127
Amount paid - current year	-	(4 238 127)
Balance unpaid (included in creditors)	<u>-</u>	<u>-</u>
26 CAPITAL COMMITMENTS		
Commitments in respect of capital expenditure		
Approved and contracted for:	3 964 344	30 395 860
Infrastructure	3 964 344	26 853 653
Community	-	607 762
Other	-	2 934 445
Approved but not yet contracted for:	-	-
Infrastructure	-	-
Community	-	-
Operating leases contracted (see note 39)	942 365	1 327 097
Total	<u>4 906 709</u>	<u>31 722 957</u>
This expenditure will be financed from:		
- Government Grants	1 280 670	22 772 000
- External resources	-	-
- Internal resources	3 626 038	8 950 957
	<u>4 906 709</u>	<u>31 722 957</u>

--

27 RETIREMENT BENEFIT INFORMATION

Employees of council belongs to different pension fund schemes. They are the Freestate Pension Fund, Freestate Provident Fund, Samwu Provident Fund, Councillors Pension Fund, Municipal employee's Pension Fund, Old Mutual Pension Fund, Sanlam group scheme, Orion and Federal Life.

Payments made in terms of define contribution plans.

4 238 127

4 238 127
28 CONTINGENT LIABILITY**COURT CASES (EMPLOYEE CLAIMS)**

0081-CONTRACT EXPIRED(09 DECEMBER 2009)
DATE LODGED (09 SEPTEMBER 2009)
HIGH COURT RULING AGAINST THE EMPLOYEE

In terms of the definition, Possible obligation arise from past event (contract expired) and the existence of the obligation will only be confirmed at the occurrence of uncertain future events (judgment against or in favour of Mantsopa Municipality.

Disclose in the notes of financial statements

0415- SUSPENSION (26 APRIL 2010)
DATE LODGED (26 APRIL 2010)
CASE AT CCMA

In terms of the definition, Possible obligation arise from past event (Suspension) and the existence of the obligation will only be confirmed at the occurrence of uncertain future events (judgment against or in favour of Mantsopa Municipality.

VM/M068/mf Dipelaneng Traditional Committee
VM/M063/mf J van As
VM/M069/mf HJR Wiese
VM/M051/mf KPJ Chomane
VM/M071/mf Contract: Ladybrand water Treatment works
VM/M072/mf SLA with LPZ Computers
VM/M074/mf LA & SA Letaba

Operating disposal site without permit that could cause a fine of R10 000 000

Total amount R11 253 118

Landfill sites.

Currently the disposal site at Hobhouse, Excelsior and Tweespruit is operated without the necessary permits, which may lead to penalties. It is not possible to determine the amount of possible penalties at this stage. Provision for rehabilitation costs is made.

	2 012	2 011		
29 CONTINGENT ASSET				
No contingent assets are expected.	-	-		
30 IN - KIND DONATION AND ASSISTANCE				
The following donations was received by Mantsopa Local Municipality during the year under review.				
Macufe tickets	24 000	9 800		
Soccer tickets	1 000	-		
Drinks for Gala dinner Civil Engineering	-	5 000		
Drinks for Municipal Farewell Seqhobong JV	-	5 000		
Drinks for Municipal Farewell Engineering Solutions	-	2 000		
Drinks for youth event	5 000	-		
Farewell of Section 56 managers	3 500	-		
	33 500	21 800		
31 COMPARISON WITH THE BUDGET				
Department	Income Budget	Actual Income	Exp Budget	Actual Exp
Property rates	10 795 321	10 761 843	- -	-
Performance department	434 684	434 684	434 684	463 953
Cemetaries	35 700	33 363	- -	-
Development	1 527 658	1 288 140	1 527 658	1 369 055
Libraries	1 616 126	1 588 136	1 616 126	1 606 752
Fire	1 358 532	1 193 506	1 358 532	1 295 069
Properties	1 600 458	1 572 574	2 719 561	3 460 931
Roads and streets	11 967 718	12 024 960	11 234 691	13 342 187
Parks and recreation	- -	- -	4 184 768	4 189 528
Sanitation network	24 323 482	22 279 084	17 884 429	11 791 992
Refuse	8 824 000	8 035 370	11 065 231	7 321 353
PMU	1 227 413	1 176 024	1 227 413	1 219 343
Municipal manager	1 548 484	1 494 949	1 548 484	1 872 143
Council	1 023 000	167 052	2 561 325	3 071 000
Speaker	390 000	1 154 622	5 303 009	5 424 883
IDP	1 551 543	978 514	1 551 543	994 279
Internal audit	486 488	432 028	486 488	427 207
Environmental health	1 160 606	891 217	1 160 606	947 607
Cooperate services	10 919 580	8 253 328	9 755 333	8 625 390
Financial services	45 472 644	50 012 157	34 186 369	40 661 446
Traffic	1 153 687	1 129 197	1 138 737	1 282 850
Housing	1 223 645	1 241 255	1 223 645	1 238 102
Electricity	35 579 015	29 387 673	35 566 153	32 471 400
Water	15 014 230	21 082 972	20 261 681	20 151 350

32 EVENTS AFTER BALANCE SHEET DATE

NONE

33 CASH RECEIVED FROM CUSTOMERS AND GOVERNMENT

Total revenue	178 241 878	164 029 699
Adjusted for items presented separately:		
Interest received on investments	(106 267)	(496 853)
Dividends received	(23 918)	(19 389)
Proceeds on selling of assets	-	(239 399)
Previous year adjustments	288 106	3 222 052
(Increase)/decrease in Sundry Debtors	(5 459 798)	3 165 320
Increase/(Decrease) in Consumer deposits	30 180	(76 002)
(Increase)/decrease in consumer debtors	(27 443 668)	38 504 368
	<u>145 526 513</u>	<u>208 089 796</u>

Sundry debtors and deposit changes included in Increase of other debtors for 2012

MANTSOPA LOCAL MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

--	2 012	2 011
	R	R
34 CASH PAID TO SUPPLIERS AND EMPLOYEES		
Total expenditure	(176 002 172)	(182 791 886)
Adjustment for Non cash items		
Operating lease straight lining of expenses	94 652	
Depreciation	24 327 815	23 490 794
Bad Debts	10 694 146	37 326 515
Indigent support	-	-
Leave Accrual	308 207	771 993
Interest provision rehabilitation of landfill sites	2 225 573	214 338
Financing activities		
Interest paid	(1 232 057)	817 243
Previous year adjustments	-	(75 854 383)
Increase/(decrease) in creditors	4 184 753	11 140 494
Increase/(decrease) in unspent conditional grants	-	(5 796 969)
Increase / (Decrease) in Inventory	108 120	(575 000)
	<u>(135 290 963)</u>	<u>(191 256 861)</u>
35 CASH GENERATED / (REQUIRED) BY OPERATIONS		
Reconciliation of net operating profit to cash generated in operations		
Net operating profit/(loss)	2 239 707	(18 762 187)
Adjusted for:		
Operating lease straight lining	94 652	
Depreciation	24 327 815	23 490 794
Interest income	(106 267)	(496 853)
Dividends received	(23 918)	(19 389)
Bad Debts	10 694 146	37 326 515
Interest provision rehabilitation of landfill sites	2 225 573	214 338
Leave Accrual	308 207	771 993
Interest paid	(1 232 057)	817 243
Gain on the disposal of assets	-	(239 399)
Indigent support	-	-
Previous year corrections	288 106	(72 632 331)
Changes in working capital:		
(Increase)/ Decrease in Inventory	108 120	(575 075)
(Increase)/decrease in consumer debtors	(27 443 668)	38 504 368
(Decrease)/Increase in conditional grants	-	(5 796 969)
Increase/(decrease) in creditors	4 184 753	11 140 494
(Increase)/decrease in Sundry Debtors	(5 459 798)	3 165 320
Increase/(Decrease) in Consumer deposits	30 180	(76 002)
	<u>10 235 550</u>	<u>16 832 859</u>
Deposit changes included in Increase of other debtors for 2011		
36 CASH AND CASH EQUIVALENTS		
Bank and cash	(14 291 332)	(2 730 583)
Investments	33 786	20 829
	<u>(14 257 546)</u>	<u>(2 709 754)</u>

MANTSOPA LOCAL MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

37.1 GENERAL EXPENSES

General expenses include the following significant figures:

Advertising	170 666	233 390
Audit costs External	2 949 595	3 121 145
Audit costs Internal	76 162	62 379
Annual Report	280 000	162 600
Awareness Campaigns	-	13 158
Bad Debts	61 486	216 929
Bank charges	262 506	226 152
Bank and Creditors Interest	440 117	30 987
Books and Reference books	6 025	12 555
Centlec Expenses	505 398	2 170 342
Civil Protection	-	950
Cleaning Materials	63 576	10 985
Chemicals, Chloorgas	1 515 853	1 635 085
Communication Strategy	-	185 500
Connections	263 864	414 882
Donations	2 945	2 211
Entertainment	247 366	348 845
Employee Wellness	46 503	4 039
Grap & Other Financial costs	332 153	513 594
Finance management Grant	1 070 075	623 753
Filing System	-	98 246
Fuel	2 528 581	2 150 448
Inventory shortage	-	126 736
IDP & Budget Conference and document printing	202 990	201 057
Interest rehabilitation for landfill sites	2 225 573	214 338
LED Strategy	-	133 106
Insurance	826 115	743 987
Lisences	237 047	338 967
Legal expenses	1 017 449	956 254
Machinery Installments	30 000	-
Medical assistance	3 947	34 766
Plants and Trees	11 956	2 676
Postage	157 879	286 118
Printing & Stationery	470 550	273 821
Policy revival	149 900	48 100
Promulgation of By-Laws	64 282	-
Programs	298 404	329 674
Protective clothing	414 724	126 998
Public consultation	346 274	589 788
Rental equipment	391 237	158 804
Training	833 663	737 956
Travelling and Subsistance	2 243 055	1 193 822
Town Planning	103 877	24 000
Sanitation, water and electricity	1 461 667	880 986
Surveys	2 590	10 000
Strategic planning	82 787	453 852
Spatial Dev elopment	-	180 000
Special Days	276 945	749 550
Skills development	430 684	347 434
Security Services	364 284	2 800
Subscriptions	449 874	23 957
Sympathy	2 124	1 288
Auction Costs	-	-
Telephone	1 666 479	1 412 955
Tourism / Year end	-	169 369
Valuation and other costs	28 248	39 600
Youth Commission	272 600	29 435
Ward Plan review	95 000	80 162
Water Samples and Research	90 650	389 102
Weed control	431	6 500
Previous year expences corrected	-	-
Other	-	-
	26 076 155	23 536 138

37.2 OTHER INCOME

Donation year end function	--	4 386
Gain and fair value	58 745	--
Dog tax	600	2 750
Grave sales	32 924	54 782
Environmental health	-	--
Proceeds on sale of assets	-	--
Training Cost recover	41 465	--
Administration fees	71 976	145 303
Commission Received	12 679	36 306
Discount Received	8	1 098
Insurance recover	--	13 168
Private Telephone recovery	9 000	103 707
Legal Costs	-	--
Sundry	--	1 950
Suplus Cash	13	159
Tender Doc	38 250	15 088
Valuation Lists	150	120
Valuation Roll	35 764	22 556
Bad debts recover	--	23
Business Lisence	-	--
Subdivisioning	--	5 000
Mantsopa Monitoring	-	--
Rental Equipment	4 042	12 345
Advertisements	320	618
Building Plans	51 707	89 462
Lost Books	--	4
Photo Copies	2 665	9 698
Subscriptions	930	300
Housing subsidies	--	150 000
Housing Transports	--	984
Connections	226 584	329 250
Testmeters	320	600
Private Work	533	333
Cleaning of Erven	-	--
Income corrections previous year	-	--
Garden Refuse	16 729	23 366
Total	605 405	1 023 356

38	Correction of previous year errors	2 011	2 011
38.1	Property, Plant & Equipment		
	During the previous financial year, the infrastructure relating to Tweespruit was not included in the Financial Statements. Investment property has also been reclassified to be included in Property, Plant and Equipment. Below shows the corrections made to include the Infrastructure amounts:		
	As per 2011 Financial statements	2011 audited AFS	2011 adjusted figures
	Note 7.1		
	Property Plant and Equipment	428 735 029	282 798 590
	Investment property reclassified to Property, Plant & Equipment		1 446 000
	Property Plant and Equipment reclassified to Investment Property		(27 271 000)
	Work in progress included under Property, Plant & Equipment (Infrastructure)		18 371 221
	Reclassification of Inventory (Major Spare Parts) to PPE		56 578
	Additions corrected through Trade Payables		6 115 603
	Vacant land included in PPE correction (Accumulated Surplus)		27 271 000
	Depreciation charge adjusted in Statement of financial performance		(9 358 564)
	Additional carry value of Property, Plant and Equipment from Tweespruit (Accumulated surplus)		266 167 753
	Note 7.1 & 7.3	1 446 000	25 825 000
	Investment Property (Property Reclassified to PPE)	1 446 000	(1 446 000)
	Investment Property (Land Reclassified to Investment Property)	--	27 271 000
	Note 7.1		
	Work in Progress	18 371 221	(18 371 221)
	Correction	448 552 250	262 981 369
38.2	Debtors - Provision for bad debt		
	During the current financial year a new provision for bad debt approach was adopted. The recalculation for the bad debt was done retrospectively.		
	2011 audited AFS	Corrections	2011 adjusted figure
	Provision for bad debt (Liability)	(136 532 256)	83 640 711
	Correction to Accumulated Surplus		(83 640 711)
	Balance		--
38.3	Accumulated Surplus		
	2011 audited AFS	Corrections	2011 adjusted figure
	The following prior period corrections affected the Accumulated surplus		
	Balancing figure	(398 109 583)	(361 196 878)
	Tweespruit infrastructure not included in the 2011 Financial Statements		(293 438 753)
	Depreciation Charge through Net/Surplus for the year		9 358 564
	Provision for bad debts recalculated		(83 640 711)
	Expense in current year relating to prior year		23 347
	Operating lease liability		555 766
	Landfill site provision recalculation		5 944 908
38.4	Landfill site provision		
	During the current financial year a recalculation of the provision for the Landfill site rehabilitation was done. The recalculation also affected the opening balance as follow:		
	2011 audited AFS	Corrections to Accumulated Surplus	2011 adjusted figure
	Rehabilitation of Landfill site provision	(17 349 030)	(5 944 908)
38.5	Additions corrected through Payables and VAT input account		
	2011 audited AFS	Corrections	2011 adjusted figure
	Additions to Infrastructure assets	--	6 115 603
	Trade Payables	(11 591 331)	(7 823 018)
	VAT	(2 986 775)	1 707 415
		(14 578 106)	--
			(14 578 106)

38.6 Payables understated in prior period

	2011 audited AFS	Corrections	2011 adjusted figure (note 4)
	16 511 966	7 846 365	24,358,331
Expenses recognised in current period relating to prior period (Acc. Surplus)		23 347	
Additions to assets corrected through Payables		7 823 018	

38.7 Operating lease straight lining

	2011 audited AFS	Corrections to Accumulated Surplus	2011 adjusted amount
Fintech lease liability	--	377 649	377,649.06
Copperleaf lease liability	--	178 117	178,117.01
	--	555 766	555 766

38.8 Major Spare Parts Reclassified to Property Plant & Equipment

	2011 audited AFS	Moved to PPE	2011 adjusted figure (note 4)
The following adjustment was made to reclassify Major spare parts to Property Plant & Equipment			
Consumables	861 762	(56 578)	805,184

39 OPERATING LEASES

At the reporting date the entity has outstanding commitments under operating leases which fall due as follows:

Operating leases - lessee

Within one year	993 247	1 793 430
In the second to fifth year inclusive	1 110 289	1 734 741
After five years	-	-
Total	2 103 536	3 528 171

Total future minimum sublease payment expected to be received under non cancellable sublease

	2 012	2 011
Liability opening balance	555 766	398 844
Movement through lease expenses	94 652	156 922
Liability at year end	650 418	555 766

Operating Leases consist of the following:

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for three years. No contingent rent is payable based on a % of the municipality's sales.

40 WASTEFULL EXPENDITURE

	2 012	2 011
Opening Balance 01 July 2011	117 754	29 986
Interest on creditors	245 767	25 898
Interest to SARS	1 890	1 799
Penalty SARS	44 603	60 071
Closing Balance 30 June 2012	410 014	117 754

41 IRREGULAR

Opening Balance	6 363 705	2 618 868
Irregular expenditure current year - Non compliance to SCM policy	6 852 841	3 744 837
Irregular expenditure current year - Deviation from Procurement	2 801 311	1 262 570
Condoned or written off by Council	-	(1 262 570)
Allowances were awarded to the employees not indicated in the appointment letter	89 382	-
Employees were paid for the overtime executed on Weekends and/or Public Holidays	109 751	-
Transfer to receivables for recovery - not condoned	-	-
Irregular expenditure awaiting condonement	16 216 988	6 363 705

The Municipality is currently investigating further expenses that could be found to be irregular expenses. These items are still under investigation and has not been included in the amount as disclosed.

42 UNAUTHORISED EXPENDITURE**Total spending more than budget**

Environmental Health	-	(527 674)
Electricity	-	-
Sanitation	-	(12 123 176)
Housing	#REF!	-
Refuse	-	(9 394 847)
Water	-	(18 657 982)
Fire brigade	-	(91 229)
Performance	#REF!	-
Properties	#REF!	(193 015)
Roads & Streets	#REF!	-
PMU	-	-
Council	#REF!	-
Speaker	#REF!	-
Parks	#REF!	(627 950)
Municipal Manager	#REF!	(175 829)
IDP	-	-
Total	#REF!	(41 791 702)

43 ELECTRICITY LOSSES

Electricity losses for the year under review is not yet determined.

Water losses cant be determined, as no bulk meters exist from waterworks and bore holes to the towns.

2 012 2 011

44 CONSULTANT FEES

Ducharme Consultants	Asset Register	811 000	416 755
Makomota	Financial statements review	-	90 838
Gobodo	Debt impairment	216 631	-

45 RELATED PARTIES

The following organisations is seen as related parties to Mantsopa Local Municipality, as they are in a position to influence transactions or other decisions

Related parties transactions: Received / (paid)

Centlec Bloemfontein	3 349 011	3 103 227
Provincial Treasury	-	-
National Treasury	86 786 727	76 600 103
Thabo Mofutsanyane District Municipality	685 767	5 609 877
COGTA	-	-
Department of Water affairs	845 960	-
Key personal and Councillors salaries	20 & 21 (5 739 028)	(5 739 028)

46 IFRS 7**RISK MANAGEMENT****Maximum credit risk exposure**

Credit risk consist mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter party.

Financial assets exposed to credit risk at year end were as follow:

First National Bank current account	45 375	77 608
Absa Bank current account	-	-
Absa Money Market	21 808	20 829
FNB colateral	84 263	84 263
Old Mutual shares	59 606	50 625
Standard Bank	104	-
OVK	645 038	340 677
ABSA Investment	7 976	-
ABSA Investment	3 897	-
Trade and other receivables (including long term receivables)	100 196 594	5 092 973
	<u>101 064 663</u>	<u>5 666 975</u>

These balances represent the maximum exposure to credit risk.

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within one year	Later than one year and not later than two years	Later than two years and not later than five years	Later than five years
2013				
Gross finance lease obligations	2 103 536	-	-	-
Borrowings	2 297 509	-	-	8 564 391
Trade and other payables	35 149 398	-	-	-

	Later than two years and not later than five years	Later than five years
2014		
Gross finance lease obligations	3 838 277	-
Borrowings	10 569 850	-
Trade and other payables	30 656 438	-

Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

At year end, financial instruments exposed to interest rate risk were as follows:

- ABSA Bank: Current Account	(24 074)
- ABSA Bank: Money Market	33 682
DBSA Loans	10 445 122
ABSA Loan	124 728

Other price risk

The municipality's price risk arises from the shares held at OVK. The municipality holds a specific number of shares, of which their value depend on the share price at year end. These shares are not listed on any stock exchange.

Management's valuation of unlisted investments	373 204
Dividends received OVK	18 299
Average gross rate of return on investments	5 %

APPENDIX A
MANTSOPA LOCAL MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2012

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R
Land and Buildings												
Land	83,319,600	-	-	-	-	83,319,600	-	-	-	-	-	83,319,600
Buildings	23,363,153	-	-	-	-	23,363,153	7,684,813	944,508	-	-	8,629,321	14,733,832
	106,682,753	-	-	-	-	106,682,753	7,684,813	944,508	-	-	8,629,321	98,053,432
Infrastructure												
<i>Electricity:</i>												
Electricity network	80,548,744	-	82,719			80,548,744	15,339,715	1,813,535			17,153,250	63,478,211
Sanitation												
Solid waste	17,715,549					17,715,549	2,202,738	734,246			2,936,984	14,778,566
<i>Sewerage:</i>												
Sewer network	115,997,077	7,147,102				123,144,179	10,474,511	3,255,522			13,730,033	109,414,146
Roads												
Roads network	354,860,074		8,699,333			363,559,407	129,172,847	6,910,424			136,083,271	227,476,136
<i>Water:</i>												
Water network	204,200,471	1,684,342	805,856			206,690,669	27,002,194	7,585,329			34,587,523	172,103,146
	773,321,915	8,831,444	9,587,908	-	-	791,658,548	184,192,005	20,299,056	-	-	204,491,061	587,250,205
Community Assets												
Land	4,974,120	-	-	-	-	4,974,120			-	-	-	4,974,120
Buildings	4,639,622	627,602	-	-	-	5,267,224	1,735,582	210,689	-	-	1,946,271	3,320,953
	9,613,742	627,602	-	-	-	10,241,344	1,735,582	210,689	-	-	1,946,271	8,295,073
Other Assets												
<i>FURNITURE AND OFFICE EQUIPMENT</i>												
OFFICE FURNITURE	4,350,126		-	-	-	4,350,126	1,378,791	784,454	-	-	2,163,245	2,186,881
OFFICE EQUIPMENT INCLUDING FAX MACHINES	463,783		-	-	-	463,783	170,335	77,385	-	-	247,720	216,063
AIR CONDITIONERS INDIVIDUAL FIXED AND MOVABLE	172,581		-	-	-	172,581	50,698	49,973	-	-	100,671	71,910
<i>TRANSPORT ASSETS</i>												
TRUCKS	5,855,842		-	-	-	5,855,842	1,108,802	577,963	-	-	1,686,565	4,169,277
BAKKIES	2,005,068		-	-	-	2,005,068	433,933	183,766	-	-	617,699	1,387,369
TRAILERS AND ACCESSORIES	1,624,079		-	-	-	1,624,079	289,543	148,690	-	-	438,233	1,185,846
BICYCLES	5,920		-	-	-	5,920	1,208	710	-	-	1,918	4,002
MOTOR VEHICLES	1,374,498		-	-	-	1,374,498	196,645	164,940	-	-	361,585	1,012,913
<i>COMPUTER EQUIPMENT</i>												
COMPUTER HARDWARE INCLUDING OPERATING SYSTEMS	242,590	1,365	-	-	-	243,955	106,542	60,571	-	-	167,113	76,842
COMPUTER NETWORKS	546,131		-	-	-	546,131	106,529	113,162	-	-	219,691	326,440
<i>MACHINERY AND EQUIPMENT</i>												
KITCHEN APPLIANCES	120,021	939	-	-	-	120,960	45,708	21,256	-	-	66,964	53,996
DOMESTIC EQUIPMENT (NON KITCHEN APPLIANCES)	41,756		-	-	-	41,756	17,764	10,458	-	-	28,222	13,534
MUSIC INSTRUMENTS	179,040		-	-	-	179,040	78,554	16,114	-	-	94,668	84,372
MEDICAL AND ALLIED EQUIPMENT	2,844		-	-	-	2,844	971	512	-	-	1,483	1,361
AUDIOVISUAL EQUIPMENT	183,012		-	-	-	183,012	39,224	39,358	-	-	78,582	104,430
WORKSHOP EQUIPMENT AND LOOSE TOOLS MOVABLE	633,470		-	-	-	633,470	261,294	155,182	-	-	406,476	226,994
ELECTRIC WIRE AND POWER DISTRIBUTION EQUIPMENT (COMPRESSORS / GENERATORS)	148,618		-	-	-	148,618	67,682	25,543	-	-	93,225	55,393
TRACTORS	1,048,173		-	-	-	1,048,173	555,193	169,429	-	-	724,622	323,551
FIRE FIGHTING EQUIPMENT	311,349		-	-	-	311,349	98,245	88,885	-	-	187,130	124,219
ROAD CONSTRUCTION AND MAINTENANCE EQUIPMENT	1,816,880		-	-	-	1,816,880	600,711	155,419	-	-	756,130	1,060,750
	21,125,781	2,304	-	-	-	21,128,085	5,598,172	2,843,770	-	-	8,441,942	12,686,143
Total	910,744,191	9,461,350	9,587,908	-	-	929,710,730	199,210,572	24,298,023	-	-	223,508,595	706,284,853

MANTSOPA LOCAL MUNICIPALITY
ANALYSIS OF INTANGIBLES REGISTER AS AT 30 JUNE 2012

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R
Intangible Assets												
Computer Software	57,352		-	-	-	57,352	20,392	29,791	-	-	50,183	7,169
	57,352	-	-	-	-	57,352	20,392	29,791	-	-	50,183	7,169
Total Fixed Asset Register	910,801,543	9,461,350	9,587,908	-	-	929,768,082	199,230,964	24,327,814	-	-	223,558,778	706,292,022

APPENDIX B
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 June 2012

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Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R
Executive and Council	782,085	-	-	-	-	782,085	151,500	151,581	-	-	303,081	479,004
Finance and Administration	3,663,383	2,304	-	-	-	3,665,687	1,075,218	682,276	-	-	1,757,494	1,908,193
Planning and Development	265,535	-	-	-	-	265,535	94,181	46,997	-	-	141,178	124,357
Technical	380,000	-	-	-	-	380,000	-	-	-	-	-	380,000
Community and Social Services	197,450	-	-	-	-	197,450	65,470	32,372	-	-	97,842	99,608
Housing	75,861,739	-	-	-	-	75,861,739	4,863,886	679,009	-	-	5,542,895	70,318,844
Public Safety	1,148,032	-	-	-	-	1,148,032	382,979	120,078	-	-	503,057	644,975
Sport and Recreation	10,172,496	-	-	-	-	10,172,496	2,251,011	1,130,096	-	-	3,381,107	6,791,389
Environmental Health	105,054	-	-	-	-	105,054	37,838	23,954	-	-	61,792	43,262
Waste Management	134,004,548	7,147,102	-	-	-	141,151,650	12,755,768	4,042,036	-	-	16,797,804	124,353,846
Roads and Transport	356,881,614	-	8,699,333	-	-	365,580,947	129,771,717	7,102,858	-	-	136,874,575	228,706,372
Water	206,533,203	1,684,342	805,856	-	-	209,023,401	27,718,896	7,855,907	-	-	35,574,803	173,448,598
Electricity	80,771,100	-	82,719	-	-	80,853,819	15,394,361	1,848,940	-	-	17,243,301	63,610,518
Properties	39,977,953	627,602	-	-	-	40,605,555	4,647,748	581,919	-	-	5,229,667	35,375,888
Total	910,744,192	9,461,350	9,587,908	-	-	929,793,450	199,210,573	24,298,023	-	-	223,508,596	706,284,854

MANTSOPA LOCAL MUNICIPALITY APPENDIX C SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012

2011 Actual Income R	2011 Actual Expenditure R	2011 Surplus/ (Deficit) R		2012 Actual Income R	2012 Actual Expenditure R	2012 Surplus/ (Deficit) R
8 254 049	12 175 084	(3 921 035)	Executive and Council	4 661 849	12 253 465	(7 591 617)
59 725 774	42 128 786	17 596 988	Finance and Admin	58 265 485	49 286 837	8 978 649
1 577 343	2 694 133	(1 116 790)	Planning and Development	2 464 164	2 588 398	(124 234)
2 902 749	5 084 729	(2 181 980)	Community and Social Services	13 896 759	5 008 527	8 888 232
150 984	1 138 300	(987 316)	Housing	1 241 255	1 238 103	3 152
1 713 580	2 215 163	(501 583)	Public Safety	2 322 703	2 577 918	(255 215)
-	3 667 504	(3 667 504)	Sport and Recreation	-	4 189 528	(4 189 528)
1 682 562	1 759 682	(77 120)	Environmental Protection	891 217	947 607	(56 390)
44 781 717	36 123 691	8 658 026	Waste Management	30 314 455	19 113 345	11 201 110
5 000 000	7 847 012	(2 847 012)	Road Transport	12 024 960	13 342 187	(1 317 227)
20 215 473	28 093 998	(7 878 525)	Electricity	29 387 673	32 471 400	(3 083 727)
18 025 468	32 632 008	(14 606 540)	Water	21 082 973	20 151 350	931 623
			Other			
164 029 700	175 560 090	(11 530 391)	Sub-total	176 553 492	163 168 664	13 384 828

MANTSOPA LOCAL MUNICIPALITY APPENDIX D(2) ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2012

DEPARTMENT	2011/12 Actual	2011/12 Under Construction	2011/12 Total Additions	2011/12 Budget	2011/12 Variance Amount	2011/12 Variance %
Executive & Council	-	-	-	-	-	0.00%
Finance & Admin	2 304	-	2 304	2 500	(196)	-7.84%
Planning & Development	-	-	-	-	-	0.00%
Health	-	-	-	-	-	0.00%
Property	627 602	-	627 602	1 376 458	(748 856)	-54.40%
Community & Social Services	-	-	-	-	-	0.00%
Housing	-	-	-	-	-	0.00%
Public Safety	-	-	-	-	-	0.00%
Sport & Recreation	-	-	-	300 000	(300 000)	-100.00%
Environmental Protection	-	-	-	-	-	0.00%
Waste Water Management	7 498 883	-	7 498 883	9 282 982	(1 784 099)	-19.22%
Road Transport	-	14 808 690	14 808 690	15 877 778	(1 069 088)	-6.73%
Water	1 684 342	484 459	2 168 801	2 440 000	(271 199)	-11.11%
Electricity	-	-	-	810 000	(810 000)	-100.00%
TOTAL	9 813 131	15 293 149	25 106 280	30 089 718	(4 983 438)	-16.56%

[illegible]